
CMS Manual System

Pub. 100-04 Medicare Claims Processing

Department of Health & Human
Services (DHHS)
Centers for Medicare & Medicaid
Services (CMS)

Transmittal 485

Date: FEBRUARY 25, 2005

CHANGE REQUEST 3661

SUBJECT: Calculating Payment-to-Cost Ratios (PCR) for Purposes of Determining Transitional Corridor Payments under the Outpatient Prospective Payment System (OPPS)

I. SUMMARY OF CHANGES: The Payment-to-Cost Ratio (PCR) calculation has been revised. This only affects providers with the CRNA exception.

NEW/REVISED MATERIAL :

EFFECTIVE DATE : July 25, 2005

IMPLEMENTATION DATE : July 25, 2005

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual not updated.)

R/N/D	Chapter/Section/SubSection/Title
N/A	

III. FUNDING:

No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2005 operating budgets.

IV. ATTACHMENTS:

Business Requirements

**Unless otherwise specified, the effective date is the date of service.*

Attachment - Business Requirements

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SUBJECT: Calculating Payment-to-Cost Ratios (PCR) for Purposes of Determining Transitional Corridor Payments Under the Outpatient Prospective Payment System (OPPS)

I. GENERAL INFORMATION

A. Background: This CR revises “Calculating Payment-to-Cost Ratios (PCR) for Purposes of Determining Transitional Corridor Payments Under the Outpatient Prospective Payment System (OPPS) and Revising the Criteria Under Which a Provider May Request a Recalculation of Its Cost-to-Charge Ratio”. The PCR calculation was listed incorrectly. The revised PCR calculation adjusts the payment calculation in the payment-to-cost ratio. This only affects providers with the CRNA exception. The corrected instructions are listed below. Sections that have been revised are indicated in bold print.

Calculating a PCR for Hospital Cost Report Periods Ending On or After January 1, 1996, and Before September 30, 1996

Step 1 -- Determining Payments: Calculate payment amounts from the cost report for each type of service as described in A through E, then determine total payments as described in F:

- A. Calculate Payment for Ambulatory Surgical Center Procedures. (Use Worksheet E, Part C.) Payment is the lesser of:
 1. Line 6;
 2. Line 9; or
 3. $(0.58 \times \text{line 1 of Worksheet E, Part C}) + (0.42 \times \text{lesser of line 6 or line 9 of Worksheet E, Part C})$.
- B. Calculate Payment for Radiology Services Subject to the Blended Payment Methodology. (Use Worksheet E, Part D.) Payment is the lesser of:
 1. Line 6;
 2. Line 9; or
 3. $(0.58 \times \text{line 2 of Worksheet E, Part D}) + (0.42 \times \text{lesser of line 6 or line 9 of Worksheet E, Part D})$.
- C. Calculate Payment for Other Diagnostic Services Subject to the Blended Payment Methodology. (Use Worksheet E, Part E.) Payment is the lesser of:
 1. Line 6;
 2. Line 9; or
 3. $(0.50 \times \text{line 2 of Worksheet E, Part E}) + (0.50 \times \text{lesser of line 6 or line 9 of Worksheet E, Part E})$.
- D. Calculate Payment for All Other Services. (Use Worksheet D, Part V, column 9.) Payment is the sum of the amounts for these lines and any subscripts of these lines:
 1. Lines 37 through 49;
 2. Lines 53 through 62;

3. Line 63, excluding any costs that are not attributable to OPPS services, e.g., costs of FQHCs, RHCs, etc., and
4. Line 68, excluding any costs not attributable to OPPS services.

E. Calculate Payment for Vaccines Payment is the amount on Worksheet D, Part VI, line 3

F. Calculate Total Payments by:

1. Adding amounts determined for A through E in Step 1, above
2. The net amount is the payment for the cost reporting period that will be used in calculating the provider's PCR.

Step 2 -- Determining Costs: Determine costs for cost centers and individual services following A through C, then calculate total costs as described in D.

A. Multiply the cost-to-charge ratio (or other statistical ratio in the case of a provider that was an all-inclusive rate provider during the base year) for a cost center from Worksheet C, Part I, column 7, times the charges for that cost center on Worksheet D Part V, columns 2, 3, 4 and 5 to determine outpatient costs for the following lines (i.e., cost centers) and any subscripts of these lines:

1. Lines 37 – 49;
2. Lines 53 – 62;
3. Line 63, excluding any costs that are not attributable to OPPS services, e.g., costs of Federally Qualified Health Centers (FQHCs), Rural Health Clinics (RHCs), and
4. Line 68, excluding any costs not attributable to OPPS services.

NOTE: For providers apportioning costs to Medicare on other than a charge basis, e.g., all inclusive rate providers: Multiply the unit cost for each department calculated on Worksheet C, Part I, column 7 times the equivalent Medicare units reported on Worksheet D, Part V, columns 2,3, 4, and 5 for the following lines and any subscripts of these lines:

1. Lines 37 – 49;
2. Lines 53 – 62;
3. Line 63, excluding any costs that are not attributable to OPPS services, e.g., costs of FQHCs, RHCs, and
4. Line 68, excluding any costs not attributable to OPPS services.

A. Determine the costs for all departments by adding the cost calculated for all lines in step A.

B. Determine the costs of vaccines by taking the amount from Worksheet D Part VI, line 3.

C. Calculate total costs by:

1. Adding the costs determined in B and C in Step 2, above; and
2. Subtracting the cost from Worksheet D, Part V, line 102, column 9 (CRNA costs).

The net amount is the cost for the cost reporting period that will be used in calculating the provider's PCR.

Step 3 -- Calculate the PCR: Calculate the provider's PCR by dividing the total payments calculated in Step 1. F. by the total costs calculated in Step 2. D.

Calculating a PCR for Cost Report Periods Ending On or After September 30, 1996 and Before January 1, 2001

Step 1 -- Determining Payments: Calculate payment amounts from the cost report for each type of service as described in A through E, then determine total payments as described in F:

A. Calculate Payment for Ambulatory Surgical Center Procedures. (Use Worksheet E, Part C.) Payment is the lesser of:

1. Line 6;
2. Line 7; or
3. $(0.58 \times \text{line 1 of Worksheet E, Part C}) + (0.42 \times \text{lesser of line 6 or line 7 of Worksheet E, Part C})$.

B. Calculate Payment for Radiology Services Subject to the Blended Payment Methodology. (Use Worksheet E, Part D.) Payment is the lesser of:

1. Line 6;
2. Line 7; or
3. $(0.58 \times \text{line 2 of Worksheet E, Part D}) + (0.42 \times \text{lesser of line 6 or line 7 of Worksheet E, Part D})$.

C. Calculate Payment for Other Diagnostic Services Subject to the Blended Payment Methodology. (Use Worksheet E, Part E.) Payment is the lesser of:

1. Line 6;
2. Line 7; or
3. $(0.50 \times \text{line 2 of Worksheet E, Part E}) + (0.50 \times \text{lesser of line 6 or line 7 of Worksheet E, Part E})$.

D. Calculate Payment for All Other Services. (Use Worksheet D, Part V, column 9.) Payment is the sum of the following lines and all subscripts of these lines:

1. Lines 37 through 49;
2. Lines 53 through 62;
3. Line 63, excluding any amounts that are not attributable to OPPS services, e.g. costs of FQHCs, RHCs, and
4. Line 68, excluding any costs not attributable to OPPS services.

E. Calculate Payment for Vaccines.
Payment is the amount on Worksheet D, Part VI, line 3.

F. Calculate Total Payments by:

1. Adding amounts determined for Step 1, A through E, above
2. The net amount is the total payment for the cost reporting period that will be used in calculating the provider's PCR.

Step 2 -- Determining Costs: Determine costs for cost centers and individual services as described in A through C, then calculate total costs as described in D.

A. Multiply the cost-to-charge ratio (or other statistical ratio in the case of a provider that was an all-inclusive rate provider during the base year) for a cost center from Worksheet C, Part I, column 9, times the charges for that cost center on Worksheet D, Part V, columns 2, 3, 4 and 5 to determine outpatient costs for the following lines (i.e., cost centers) and all subscripts of these lines:

1. Lines 37 – 49;
2. Lines 53 – 62;
3. Line 63, excluding any charges on line 63 which are not attributable to OPPS services, e.g., FQHC services, RHC services), and

4. Line 68, excluding any charges that are not attributable to OPPS services.

NOTE: For providers apportioning costs to Medicare on other than a charge basis, e.g., all inclusive rate providers, multiply the unit cost for each department calculated on Worksheet C, Part I, column 9, times the equivalent Medicare units reported on Worksheet D, Part V, columns 2, 3, 4 and 5 for the following lines and all subscripts of these lines:

1. Lines 37 – 49;
2. Lines 53 – 62;
3. Line 63, excluding any costs that are not attributable to OPPS services, e.g., costs of FQHCs, RHCs, and
4. Line 68, excluding any costs not attributable to OPPS services.

B. Determine the costs for all departments by adding the cost calculated for all lines in step A.

C. Determine the costs of vaccines by taking the amount from Worksheet D, Part VI, line 3.

D. Calculate total costs by:

1. Adding the costs determined in B and C in Step 2, above; and
2. Subtracting the cost from Worksheet D, Part V, line 102, column 9 (CRNA costs).

The net amount is the cost for the cost reporting period that will be used in calculating the provider's PCR.

Step 3 -- Calculate the PCR: Calculate the provider's PCR by dividing the total payments calculated in Step 1. F. by the total costs calculated in Step 2. D.

Note that any hospital that did not have a full cost reporting period ending before December 31, 2001 will not have a PCR.

B. Policy: FIs must retroactively adjust costs reports from FY 2000 through FY 2004, as necessary, to distribute additional transitional corridor payment.

II. BUSINESS REQUIREMENTS

"Shall" denotes a mandatory requirement

"Should" denotes an optional requirement

Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)								
		F I	R H I	C a r r i e r	D M E R C	Shared System Maintainers				Other
						F I S S	M C S	V M S	C W F	
3661.1	FIs shall revise PCRs based on criteria in A. background above, if necessary.	X	X							

Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)								
		F I	R H I	C a r r i e r	D M E R C	Shared System Maintainers				Other
						F I S S	M C S	V M S	C W F	
3661.2	FIs shall, if the PCR is revised, retroactively adjust costs reports from FY 2000 through FY 2004, as necessary, to distribute additional transitional corridor payment.	X	X							

III. PROVIDER EDUCATION

Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)								
		F I	R H I	C a r r i e r	D M E R C	Shared System Maintainers				Other
						F I S S	M C S	V M S	C W F	
	Contractors shall post this entire instruction, or a direct link to this instruction, on their Web site and include information about it in a listserv message within 1 week of the release of this instruction. In addition, the entire instruction must be included in your next regularly scheduled bulletin and incorporated into any educational events on this topic.	X	X	X						

IV. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions: N/A

X-Ref Requirement #	Instructions

B. Design Considerations: N/A

X-Ref Requirement #	Recommendation for Medicare System Requirements

C. Interfaces: N/A

D. Contractor Financial Reporting /Workload Impact: N/A

E. Dependencies: N/A

F. Testing Considerations: N/A

V. SCHEDULE, CONTACTS, AND FUNDING

Effective Date: July 25, 2005 Implementation Date: July 25, 2005 Pre-Implementation Contact(s): Tamar Spolter (410) 786-4709 Post-Implementation Contact(s):): Tamar Spolter (410) 786-4709	No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2005 operating budgets.
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